



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

Date: July 29, 2022

To: Agency Heads

From: Jeffrey R. Beckham, Secretary

Re: Guidance for Agency Budget Requests for the FY 2024 and FY 2025 Biennium

On behalf of the Office of Policy and Management and the Office of the Governor, thank you and your staff for your work this past year. As the state continues to navigate the challenges of the public health emergency and a recent wave of staff retirements, your agency's sustained commitment, dedication, and work ethic have enabled us to continue to be successful and effective as an administration. Although Fiscal Year 2023 has just commenced, state statute ([C.G.S. Sec. 4-77](#)) requires that agencies **submit budget requests for the FY 2024 - FY 2025 biennium to OPM not later than September 1.**

While we begin Fiscal Year 2023 with historic budgetary reserves that have allowed significant progress toward reducing the state's long-term liabilities by billions of dollars over the past few years, there is reason for caution. The state's finances are heavily influenced by the national economy and geopolitical forces. The past two years have seen record amounts of federal fiscal and monetary stimulus of the economy, but this extraordinary support is now in the process of receding. The Federal Reserve has committed to increasing interest rates with the direct purpose of slowing the economy enough to reduce and reverse the recent record levels of inflationary increases the nation has experienced. Other factors contributing to economic uncertainty include the continuing COVID-19 pandemic, and slowing global economic growth that has been exacerbated by the war in central Europe, both of which represent significant headwinds for continuing economic expansion.

Over the past three and a half years, the Lamont Administration has emphasized rethinking how the state carries out its responsibilities, with a goal of improving customer and taxpayer satisfaction, driving organizational efficiencies, and generating cost savings. These efforts continue to be priorities moving forward, and all agencies will again be asked to offer recommendations for achieving better, more efficient services at a lower cost.

We are preparing a budget for a new biennium at the beginning of a new gubernatorial term. This is an opportunity to do some comprehensive thinking and planning around efficiencies or reforms that you believe would facilitate your agency's delivery of services or the execution of your responsibilities under the law. If there are new policies of which you are aware, and which you believe are consistent with the Governor's vision, please prepare options for their implementation. These may include reforms or initiatives that other states have successfully implemented or that the federal government has provided funding or incentives for states to implement.

With this as a backdrop, this letter establishes guidelines and planning factors to be used for development of the baseline budget for fiscal years 2024 and 2025. The guidance below addresses development of both a

baseline budget request for FY 2024 and FY 2025, as well as policy adjustments to that baseline. This guidance memo and software instructions are available at the following link: [FY-2024---2025-Biennial-Budget \(ct.gov\)](#)

**Development of the Baseline (Current Services) Budget for the FY 2024 and FY 2025 Biennium**

The first step in the state's biennial budget process is the development of a baseline budget. The baseline budget is based on current appropriations adjusted to reflect changes in funding requirements under existing state and federal laws. Typical adjustments include the impact of reflecting full-year costs or savings for programs that will start or end during the current fiscal year (annualization), legally-required rate changes for rate-based expenditures, anticipated changes in caseload or utilization, funding changes that are contractually required, and the impact of other statutory, federal or legally-required changes that affect expenditure requirements.

This letter establishes guidelines and planning factors to be used for development of the baseline budget for fiscal years 2024 and 2025 as well as operating instructions for using the Automated Budget System software. Questions regarding budget development should be directed to your assigned budget analyst. Under [CGS Sec. 4-77](#), agency budget requests are due to OPM not later than September 1<sup>st</sup>. Accordingly, **baseline budget requests must be submitted to OPM by September 1, 2022. Late submissions are unacceptable.**

### **Baseline Operating Budget**

Pursuant to [CGS Sec. 4-77](#), agencies are required to submit estimates of expenditure requirements for each year of the upcoming biennium to the Office of Policy and Management. This year, agencies will be preparing submissions for the biennial budget covering fiscal years 2024 and 2025. All estimates of operating budget requirements must be developed and submitted using the Automated Budget System (ABS) software available at the link above.

In accordance with [CGS Sec. 4-73](#), budget requests are developed with program-level detail. The Governor's budget must include the following information for each budgeted appropriation and program:

1. Program budget data, showing federal and private funds,
2. A summary of permanent full-time positions by fund,
3. A statement of expenditures for the last-completed and current fiscal years, and
4. The agency request and Governor's recommendation for expenditures in each year of the ensuing biennium.

As noted above, the baseline request includes estimated expenditure requirements for each combination of fund, program, SID, and account category. The request must include FY 2022 actual (unaudited) expenditures, FY 2023 budgeted expenditures, and FY 2024 and FY 2025 requested appropriations for all appropriated funds. Both the FY 2024 and the FY 2025 requests are based on a series of proposed adjustments to the funding level established by the FY 2023 appropriation ([Public Act 22-118](#)), which are detailed below.

### Technical Adjustments to the Baseline

## 1. Personnel Cost Projections

- The starting point for personnel costs is the current year (FY 2023) appropriation.
- OPM has calculated and pre-loaded an adjustment based on the anticipated cost of currently settled labor agreements, including those agreements approved by the General Assembly during the 2022 legislative session as well as equivalent wage adjustments for non-represented staff. Agencies are free to revise this pre-loaded cost estimate but should provide OPM with detailed backup for any calculated amount that differs from the pre-loaded amount.

- OPM has also calculated and pre-loaded an adjustment to reflect the impact of the 27<sup>th</sup> pay-period which is budgeted in the FY 2023 baseline period, but will not occur in either year of the FY 2024-2025 biennium. Agencies may revise this pre-loaded budget adjustment but should provide OPM with detailed backup for any calculated amount that differs from the pre-loaded amount.
- Agencies should not request wage adjustments related to any unsettled bargaining unit. Costs for unsettled units will be centrally budgeted within the Office of Policy and Management.

## **2. Inflation**

- Request inflation adjustments where such adjustment is statutorily required. Provide a statutory cite if a statutory inflationary adjustment is requested.
- For purchases where inflationary increases are not mandated by statute or existing contract or agreement, the following inflation assumptions may be used for planning purposes.

	FY 2024 vs. FY 2023	FY 2025 vs. FY 2024
Food and Beverage	2.4%	0.7%
Motor Vehicle Fuel / Fuel Oil / Natural Gas / Electricity*	0.0%	0.0%
Medical Care	3.4%	3.1%
All Other	2.2%	1.7%

\* Note that energy prices are expected to drop in both FY 2024 and 2025 from peak prices during FY 2023.

## **3. Municipal Aid**

- Reflect the statutory level for formula-based municipal aid. Any changes in funding for formula-based municipal aid will be handled as policy adjustments during the budget option process.
- Non-formula aid should be consistent with FY 2023 funding unless a negative adjustment is required based on caseload or other factors.
- Funding for Town Aid Road grants should not be included in the biennial budget request. This will be handled centrally by OPM as a policy option.

## **4. Rate-Based Programs**

- Include rate changes required under existing statute. Do not include discretionary rate changes; these may be considered as policy adjustments (budget options).

## **5. Caseload Adjustments**

- For caseload or utilization-based expenditures, adjustments to baseline spending may be requested based on anticipated changes in caseloads or utilization. For accounts where both a caseload/utilization and a unit cost or rate factor is proposed, the utilization factor should be applied before the cost/rate factor. If you are unsure about requesting these increases, contact your assigned budget analyst to discuss potential adjustments.

## **6. Annualization and Other Adjustments**

- Include an annualization adjustment, if needed, for any new or expanded program funded during FY 2023.
- Include a negative annualization adjustment where there are decreased costs for programs that will expire or be reduced during or after FY 2023.
- Include an adjustment for any new program not funded during FY 2023 but which is required by current law to begin in FY 2024 or FY 2025. Operating costs for new buildings that are scheduled to open during the biennium may also be requested. Do not request funding for new or discretionary programs; these may be considered as policy adjustments.
- Funding should not be requested for programs currently funded through non-appropriated resources (e.g., pickups of expiring federal funds or ARPA allocations); these may be considered as policy adjustments.

## **7. Equipment**

- For General Fund agencies, only equipment that does not meet the requirements for disbursement under the Capital Equipment Purchase Fund (CEPF) should be requested as part of the agency's operating budget (Fund 11000, SID 10050). Equipment that meets CEPF requirements may also be requested but should be coded to CEPF (Fund 12052, SID 40255) as a funding source. CEPF should not be requested in the capital budget request module.
- Legislative branch agencies and agencies funded from the Special Transportation Fund and industry funds should continue to reflect equipment needs as part of their operating budget requests.
- All agencies must supply descriptions of items to be purchased, quantity and unit cost information, and detailed explanations and justification to support the requested funding level for each year of the biennium.

## **8. Fringe Benefit Recovery Rate**

- Please refer to Comptroller's memorandum 2022-14 regarding the fringe benefit recovery rate in developing your budget for the 2024-2025 biennium. This information is available at: [2022-14.pdf \(ct.gov\)](#).

## **9. Additional Supporting Information**

- Additional data is required in support of certain elements of agency baseline requests:
  - Spending plans: Spending plans are required for grant accounts in Purchase of Service (POS) agencies. The software contains a module for submission of this information.
  - Consultant contracts: A listing of all current and proposed consultant contracts is required from all agencies. The software contains a module for submission of this information.
  - Leases: Pursuant to CGS Sec. 4b-23, OPM's Bureau of Assets Management has provided training and directions, under separate cover, for completing your agency's state facilities plan. Completion of all required plan documents is required in order to allow for the review of requested lease costs.

## **10. Baseline requests should not include:**

- Expansions of existing programs or funding for new programs. OPM and the Governor's policy staff will contact agencies for any expansion that may be considered as budget options.
- Reallocations of funding between appropriations. Such revisions should be submitted as budget reallocation options.
- The pick-up of any items funded in FY 2023 from carryforward funds or ARPA allocations. If there is an unfunded requirement in FY 2024 and/or FY 2025, agencies should strive to accommodate it within the baseline level of funding.
- Pick-up of programs funded via expiring federal or private grants, except where existing law does not permit the cancellation of such expenditures.
- Estimates of expenditures related to the implementation of evidence-based programs pursuant to [CGS Sec. 4-77c](#). This statutory provision applies to the departments of Correction, Children and Families and Mental Health and Addiction Services, and the Court Support Services Division of the Judicial Branch.

## **11. Actual Expenditures – FY 2022**

- FY 2022 actual expenditures were extracted from Core-CT on or about July 21, 2022. Please review the data for completeness and accuracy.

### **Capital Budget**

As capital plans for the next biennium are developed, agencies should keep in mind that the statutory cap on general obligation debt restricts new bond authorizations. Any requests for additional bonding should reflect only those projects that are essential to be completed over the next biennium and require additional bonding authorization beyond an agency's current unallocated balance. Additionally:

- Agencies must review all unallocated bond authorizations that were in effect as of July 1, 2022, and determine which authorizations should be cancelled.
- Agencies with critical needs that are a part of an ongoing project or program should request additional funds in the appropriate fiscal year via the capital budget application.
- Agencies can request a change in purpose to existing bond authorizations by submitting a language-only request via the capital budget application.

The Automated Budget System includes a module for submitting capital budget requests. **Capital budget requests are due to OPM by September 1, 2022.**

### **Policy Options – Revisions to the Baseline Budget Request**

Following the completion of the baseline budget, policy options that would modify the baseline level of revenue or expenditures will be reviewed for their possible inclusion in the Governor's final recommended budget. (Note that reallocations of funding between appropriations constitute policy options and should not be submitted as baseline adjustments.) Budget options represent the fiscal outcome of policy changes to the requested budget for the upcoming biennium. **The due date for options is October 3, 2022.**

As in the past, agencies are strongly encouraged to undertake a critical look at existing programs and activities in order to direct resources in ways that continue to improve the services and operations of state government. Agencies are encouraged to hold discussions with their assigned budget analyst regarding potential budget options.

#### **Reduction Options**

Based on the outyear expenditure projection for FY 2024 and FY 2025 issued by the Office of Fiscal Analysis as part of the adopted budget, General Fund deficits of over \$800 million in FY 2024 and \$500 million in FY 2025 are anticipated. As a result, all agencies, including those that are industry-funded, are required to submit realistic and achievable reduction options that will result in reductions to the agency's baseline budget request. **Agencies should prepare options that would result in at least a three percent (3%) reduction from the FY 2023 baseline, exclusive of statutory entitlements or formula-based municipal aid.** Agencies with entitlements and formula-based municipal aid should also submit responsible proposals for restructuring and reducing such appropriations independent of and in addition to any other reduction proposals. OPM is available to consult with agencies to identify potential areas for reduction.

In particular, agencies should evaluate their current structure with a goal of streamlining processes and improving services, implementing lean operational or process improvement initiatives, researching best practices and service delivery models utilized by other states, and providing recommendations for optimization of Connecticut state government that balances execution difficulty and risk against service delivery efficiency and cost savings opportunities. The [CREATES report](#) issued in March 2021 provides many recommendations for achieving efficiencies and agencies should submit budget and legislative changes that implement these or similar initiatives.

Agencies are therefore strongly encouraged to be creative in considering alternative service delivery models, updates to your practices and procedures, cross-agency collaborations, and other new ways to do business. Agencies should also give thought to any potential mergers and program consolidations that might merit consideration. If you identify potential savings that may be applicable across state government, I ask that you contact me, Deputy Secretary Paul Potamianos, or Acting Executive Budget Officer Gregory Messner so that the appropriate budget analyst(s) can be assigned to follow up as necessary.

### **Reallocation Options**

Reallocation options provide an opportunity for an agency to propose shifting resources between appropriations and programs in order to address higher priority needs, as well as to realign funding to accounts that better support particular program activities. These options are “zero-based” in nature. An agency should submit a reallocation option if a need to consolidate or shift resources between programs or accounts has been identified. Reallocations to offset the potential loss of revenue or federal funds should be clearly identified in your submission.

### **Revenue Options**

Agencies may submit revenue options where the cost/benefit is clearly advantageous to the state. To the extent possible, revenue options should be proposed within available resources; any request for appropriations or positions necessary to secure additional revenue should be made sparingly, recognizing the need to constrain expenditure growth and anticipated near-term economic conditions. If state expenditures are required in order to receive increased revenue, your submission must provide detailed cost projections in addition to revenue estimates.

### **Expansion Options**

In recognition of the [Office of Fiscal Analysis’ projection that revenues will not be sufficient to support the cost of current operations for the next biennium](#), which will constrain the ability of the administration to consider any expansions, agencies should not submit expansion options. OPM and the Governor’s policy staff will work with agencies to develop any fiscal estimates related to the administration’s policy initiatives requiring additional resources for the upcoming biennium.

## **Narratives and Measures**

[CGS Sec. 4-73](#) requires that budget requests be developed with program-level detail. The statute requires that the following narrative information be provided for each budgeted program:

1. The statutory authorization for the program,
2. A statement of program objectives,
3. A description of the program, including a statement of need, eligibility requirements, and any intergovernmental participation in the program,
4. A statement of performance measures by which accomplishments toward the program objectives can be assessed, and
5. An explanation of any significant program changes.

Each agency must update its program budget text and the description of agency purpose to make them current; contact your budget analyst if you have questions. The budget narrative text from the budget-in-detail (long narrative), the budget summary (short narrative), and program narratives may be edited using the ABS software. **Narratives and measures must be updated and are due to your assigned OPM analyst by October 3, 2022.**

### **Agency Narratives**

Narrative information is required in two different formats for separate budget documents.

1. Agency narrative: This is a succinct description of the agency’s mission and accompanies the main volume of the Governor’s recommended budget, often referred to as the “budget summary.” Text is typically bulleted, and each bullet begins with “To (verb)” followed by a brief description of the agency’s purpose.
2. Long narrative: This document is used as a component of the budget-by-program, often referred to as the “budget-in-detail.” The long narrative consists of a description of overall agency mission

(essentially the same description of agency mission as is used for the short narrative, although somewhat expanded descriptions may be accepted).

### **Program Narratives**

For each separate budgeted program, the following is provided:

- i. Statutory reference(s) applicable to the program;
- ii. Statement of Need and Program Objectives. This is a brief statement that begins with “To (verb)” and identifies the goals of the program. E.g., “To regulate...,” “To provide...,” “To administer...;”
- iii. Program Description: A narrative explanation of the program; and
- iv. Program Measures. Measures are a means by which the reader can assess program accomplishments. Performance information can help policymakers address a number of questions such as whether programs are contributing to their stated goals, well-coordinated with related initiatives, and targeted to those most in need of services or benefits. Agencies are strongly encouraged to present a limited set of objective, quantifiable measures that demonstrate program outcomes rather than presenting input or process measures. Output or outcome measures describe whether anyone is better off as a result of the expenditure of taxpayer funds, and focus on results and accomplishments rather than on inputs. Examples of less-desirable input or process measures include the number of beds or slots operated or funded by the program, the percentage of capacity at which a program operates, or the number of hearings held or the number of contracts processed by an administrative unit. Please ensure that reported metrics are updated to reflect the most recent available data.

A limited set of well-thought out, results-oriented measures of program accomplishments is more powerful than input or process metrics and helps the reader understand what the state realizes from its investment. Ideally, measures will be identified for each distinct program category described in the narrative. Measures supported by peer-reviewed research findings, where available, are preferable. If a program does not lend itself to an objective, quantifiable means of presenting accomplishments, the agency may elect to not provide measures for that program.

### **SID Descriptions**

A description of the purpose, statutory reference, and agency contacts for each appropriation is required. Descriptions have been pre-populated by OPM for appropriations that are common across agencies, such as Personal Services, Other Expenses, and Fringe Benefits and Indirect Overhead in industry-funded agencies.

## **Performance-Informed Budget Review**

All budgeted agencies are reminded of the requirement to report, utilizing the results-based report format developed by the accountability subcommittee of the Appropriations Committee, information and analysis for each program administered by the agency as required by [CGS Sec. 2-33b](#). Such reports are due on or before October 1, 2022.

### **Guidance and Assistance**

Operating budget: For technical questions related to the budget request software, please contact Israel Bonello at [israel.bonello@ct.gov](mailto:israel.bonello@ct.gov). For questions regarding operating budget or policy issues, please contact your [assigned OPM budget analyst](#).

Capital budget: For questions regarding capital budget or policy issues, please contact Brian Tassinari at [brian.tassinari@ct.gov](mailto:brian.tassinari@ct.gov).

### **Submission**

1. Follow the submission instructions in the attachment.
2. **Baseline operating and capital budget requests are due by September 1, 2022. Late submissions are unacceptable.** Please provide a copy of your operating and capital submission to the Office of Fiscal Analysis.
3. **All reduction, reallocation, and revenue options must be submitted not later than October 3, 2022.** Please provide backup documentation for all requested options to your assigned budget analyst. In addition, provide a copy of the Agency Summary and each individual FY 2024 and/or FY 2025 requested options to the legislature's Office of Fiscal Analysis.
4. **Narratives and measures are due by October 3, 2022.**
5. Performance-informed budget information should be separately submitted by October 1, 2022, to OPM, OFA, and the committees of cognizance in accordance with the requirements noted in [Sec. 2-33b of the General Statutes](#).

Attachment – Automated Budget System Instructions

xc: Governor Lamont  
Lieutenant Governor Bysiewicz  
Agency Fiscal Officers  
Neil Ayers, Office of Fiscal Analysis